

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 OMB-01 /052 W
-----096894 271454Z /53
P 271351Z JUL 77
FM AMEMBASSY BOGOTA
TO SECSTATE WASHDC PRIORITY 2816

LIMITED OFFICIAL USE BOGOTA 6897

E.O. 11652: N/A
TAGS: EGEN, CO
SUBJECT: COLOMBIA- SALE OF 66 MW STEAM TURBINE GENERATOR
SETS TO CORELCA

REF: STATE 16127

1. ON JULY 26, AN EMBASSY OFFICER MET WITH HERNAN CORREA, CORELCA'S FINANCIAL DIRECTOR, TO DISCUSS THE REASONS WESTINGHOUSE DID NOT WIN THE GENERATOR BID. CORREA SAID THAT CORELCA WOULD HAVE PREFERRED WESTINGHOUSE AND EXPECTED WESTINGHOUSE TO WIN THE BID, BUT THEY COULD NOT AWARD THE CONTRACT TO THEM BASICALLY FOR THREE REASONS.

A. CORELCA CONSIDERED THE ESCALATION CLAUSE IN WESTINGHOUSE'S OFFER TOO OPEN ENDED. IT SUBJECTED THE SALE TO ESCALATION THRMUGHOUT THE PROJECT PERIOD, PLUS IT PROVIDED FOR ESCALATION ABOVE THE INDEX, TO BE DETERMINED BY AN INDEPENDENT SOURCE, SHOULD IT APPEAR THAT THE INDEX TO BE USED WAS NO LONGER VALID FOR THE EQUIPMENT IN QUESTION. SIEMEN'S ESCALATION CLAUSE, ON THE OTHER HAND, WOULD COVER ONLY UP TO THE DATE OF FINALIZING THE CONTRACT IF THE FINAL CONTRACTING EXCEEDED 180 DAYS. THERE WAS NO PROVISION FOR FURTHER ESCALATION OR FOR USING A
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DIFFERENT INDEX THAN THAT SPECIFIED.

B. THE SECOND REASON FOR NOT GRANTING THE BID TO WESTINGHOUSE WAS THAT WESTINGHOUSE REQUESTED LETTERS OF CREDIT FOR BOTH PESO AND DOLLAR COSTS. THE TERMS AND CONDITIONS SPECIFICALLY STIPULATED THAT LOCAL CREDIT WOULD BE PAID DIRECTLY BY THE FINANCING INSITUTION

WITHOUT REQUIRING ANY DOCUMENT OTHER THAN THE CREDIT CONTRACT. THIS PROVISION WAS PUT INTO THE TERMS AND CONDITIONS SPECIFICALLY TO AVOID A LETTER OF CREDIT IN PESOS, BECAUSE IN TODAY'S CREDIT MARKET CONDITIONS IT WOULD HAVE BEEN EXCEEDINGLY DIFFICULT TO OBTAIN A LETTER OF CREDIT FOR THE AMOUNT OF PESOS REQUIRED.

C. THE THIRD AND LEAST IMPORTANT REASON FOR AWARDED THE CONTRACT TO SIEMENS WAS THAT CORELCA CONSIDERED THE SIEMENS OFFER SLIGHTLY MORE ATTRACTIVE BECAUSE OF THE FINANCING PACKAGE. SIEMENS'S OFFER WAS AS FOLLOWS:

I. FOREIGN CURRENCY PAYMENT

5 PERCENT, 45 DAYS AFTER LEGALIZATION OF CONTRACT

10 PERCENT, 18 MONTHS AFTER LEGALIZATION

85 PERCENT, DATE OF PROVISIONAL RECEPTION, I.E.

INSTALLED AND FUNCTIONING.

II. LOCAL CURRENCY PAYMENT

5 PERCENT 45 DAYS AFTER LEGALIZATION OF CONTRACT

5 PERCENT 12 MONTHS AFTER LEGALIZATION OF CONTRACT

85 PERCENT ACCORDING TO THE PROGRESS OF THE PROJECT IN TRIMESTRAL PAYMENTS

5 PERCENT UPON PROVISIONAL ACCEPTANCE

III. TERMS OF FINANCE

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85 PERCENT PROVIDED BY DFW/AKA IN DM

20 SEMIANNUAL PAYMENTS AT 8.5 PERCENT FIXED

15 PERCENT PROVIDED BY BAYERISCHE YERGINSBANK

5 YEARS 1.5 OVER LIBOR

7 YEARS 1.75 OVER LIBOR

INTEREST FOR 5 YEARS 1.5 OVER LIBOR

INTEREST FOR 7 YEARS 1.75 OVER LIBOR

HERMESKREDIT DID NOT PROVIDE FINANCING BUT DID INSURE THE PACKAGE.

2. THE REASON FOR NOT CONSIDERING EXPORT IMPORT BANK'S REVISED OFFER WAS THAT IT WAS RECEIVED AFTER BIDS HAD BEEN OPENED. CORELCA POLICY IS TO JUDGE BIDS EXCLUSIVELY UPON OFFERS RECEIVED PRIOR TO THE CLOSING OF BIDS. THIS IS SO EVEN IF THE ORIGINAL OFFER INCLUDES A PROVISION FOR SUBSEQUENT NEGOTIATION. THE POLICY IS NOT CONTAINED IN DECREE 150 BUT IS CORELCA POLICY, IMPLICIT, IN THEIR OPINION, IN THE TERMS AND CONDITIONS. IT IS NOT POSSIBLE TO SAY THAT IN FUTURE CONTRACTS INVOLVING OFFICIAL ENTITIES IN COLOMBIA EXIMBANK CAN NOT IMPROVE ITS OFFER AFTER OPENING OF BIDS. HOWEVER, IT WOULD CLEARLY BE WISE TO MAKE THE OFFER AS COMPETITIVE

AS IS POSSIBLE BEFORE THE CLOSING OF BIDS.

DREXLER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SALES, TURBINE COMPONENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 27-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BOGOTA06897
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770269-0225
Format: TEL
From: BOGOTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770716/aaaaamyv.tcl
Line Count: 118
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 280b8663-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 STATE 16127
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 11-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1739642
Secure: OPEN
Status: NATIVE
Subject: COLOMBIA- SALE OF 66 MW STEAM TURBINE GENERATOR SETS TO CORELCA
TAGS: EGEN, CO
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/280b8663-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009